



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: 217) 785-4111

DOCKET ITEM: C-1	BOARD MEETING: August 16, 2011	EXEMPTION NUMBER: E-10-011
EXEMPTION APPLICANT(S): Iowa Health System ("IHS"), Methodist Health Services Corporation ("MHSC") and The Methodist Medical Center of Illinois ("MMCI")		
FACILITY NAME and LOCATION: The Methodist Medical Center of Illinois, Peoria		

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are Iowa Health System ("IHS"), Methodist Health Services Corporation ("MHSC") and The Methodist Medical Center of Illinois ("MMCI") The applicants are proposing a change in the sponsorship or membership of a not for profit entity that controls a licensed health care facility. The FMV of the transaction is \$232,000,000.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- 20 ILCS 3960 states that a change of control of a licensed health care facility requires approval of the State Board. Iowa Health System has an "AA-" Bond rating therefore the **applicants qualify for an exemption to the certificate of need application.**

PURPOSE OF THE PROJECT:

- The purpose of the project is to seek approval of the State Board for a change of ownership of a health care facility as required by the 20 ILCS 3960.

BACKGROUND/COMPLIANCE ISSUES:

- There were no background or compliance issues associated with the applicants.

FINANCIAL AND ECONOMIC FEASIBILITY:

- Iowa Health System has an "AA-" Bond rating. Fitch notes *"that IHS "AA-" rating is supported by IHS geographic diversity and breadth of coverage throughout the State of Iowa, solid liquidity measures, and solid historical coverage of proforma debt service coverage. IHS is the largest provider of health care services in the State of Iowa. Methodist's "A" rating is supported by Methodist's strong balance sheet, light leverage, and a physician alignment strategy with employed physicians accounting for more than 65% of admissions. A primary credit concern is the competitive environment, with Methodist maintaining the second largest market share position (31%) behind OSF St. Francis (53%). Fitch Ratings believes the competitive environment may put pressure on capital spending in the medium and near term."*



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CHARITY CARE:

- The applicants have attested that there will be no change in charity care for two years after project completion. 2009 Profile Information is attached at the end of this report.

CONCLUSION:

- **All requirements of the exemption application have been met. 20 ILCS 3960/6 states "The State Board shall establish by regulation the procedures and requirements regarding issuance of exemptions. An exemption shall be approved when information required by the Board by rule is submitted.** Projects eligible for an exemption, rather than a permit, include, but are not limited to, change of ownership of a health care facility. For a change of ownership of a health care facility between related persons, the State Board shall provide by rule for an expedited process for obtaining an exemption. In connection with a change of ownership, the State Board may approve the transfer of an existing permit without regard to whether the permit to be transferred has yet been obligated, except for permits establishing a new facility or a new category of service."



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STATE AGENCY REPORT
CHANGE OF OWNERSHIP EXEMPTION

I. The Exemption Application

The applicants Iowa Health System ("IHS"), Methodist Health Services Corporation ("MHSC"), and The Methodist Medical Center of Illinois ("MMCI") are proposing a change in the membership or sponsorship of a not for profit corporation that owns or controls an Illinois licensed health care facility, as well as the physical plant and assets. Per the Strategic Affiliation Agreement between IHS and MHSC, IHS will become the sole corporate member of MHSC. MHSC will remain the sole corporate member of MMCI. Upon closing, MMCI will remain the licensee operating entity of the hospital. Other than for IHS becoming the sole corporate member MHSC, there will be no other change in the corporate structure of MHSC which will operate as a Senior Affiliate of IHS. The fair market value of the transaction is \$232,000,000.

The Illinois Health Facilities Planning Act defines a change of ownership as

" . . . a change in the person who has ownership or control of a health care facility's physical plant and capital assets. A change in ownership is indicated by the following transactions: sale, transfer, acquisition, lease, change of sponsorship or other means of transferring control."

II. The Facility

The Methodist Medical Center of Illinois is a 329 bed acute care hospital providing medical/surgical, obstetrics, pediatrics, intensive care, rehabilitation, and acute mental illness services. In addition cardiac catheterization and open heart surgery are also provided. Table One below identifies the bed category of services and the authorized beds offered by the hospital, and their 2009 utilization.



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TABLE ONE

The Methodist Medical Center of Illinois
2009 Utilization

Beds	Beds	Admissions	Days	ALOS	ADC	Utilization	Target Occ.	Met Target
Medical Surgical	168	7,570	37,995	5.0	104.0	61.9%	85%	No
Pediatric	12	272	1,162	4.3	3.2	26.5%	65%	No
Intensive Care	26	1,579	6,871	3.0	18.8	72.4%	60%	Yes
Obstetric	16	2,340	5,948	2.5	16.3	101.8%*	75%	Yes
AMI	68	2,689	20,867	7.8	57.2	84.1%	85%	No
Rehabilitation	39	582	7,091	12.2	19.4	49.8%	85%	No
Total	329	15,032	79,934					

Information taken from the 2009 IDPH Hospital Questionnaire

Number of days includes observation days.

*The Hospital has 10 LDRP's in addition to the 16 OB beds, utilization for the 10 LDRP's is being reflected in the information provided to the State Agency.

III. The Applicant

Iowa Health System is an Iowa nonprofit corporation that controls directly or indirectly, a regional health care delivery system that includes 14 hospitals (2 in Illinois: Trinity Medical Center- Rock Island and Trinity Medical Center-Moline). Iowa Health System has an AA- bond rating. Methodist Health Services Corporation is an Illinois nonprofit corporation that controls The Methodist Medical Center of Illinois. Methodist Health Services Corporation has an A2 bond rating.

The Methodist Medical Center of Illinois is a member of Central Illinois Endoscopy Center, LLC which owns and operates an ASTC and is a member of Greater Peoria Specialty Hospital, LLC which owns and operates a long term acute care hospital in Peoria. MMCI owns a 49% interest in both LLC's. Because control of these two entities is not changing no exemption for a change of ownership was needed.



IV. **The Proposed Transaction and Attestations**

Iowa Health System will become the sole corporate member of Methodist Health Services Corporation. The change in corporate membership is a change in control of a health care facility as defined by current State Board rules. Upon closing Iowa Health System shall commit \$175 million for capital projects allocated during the first seven years after closing as follows; \$145 million for the replacement or renovation of Methodist's emergency department and its surgery and imaging facilities, and \$30 million to be used for strategic capital projects that MHSC's Board selects and approves upon joint recommendation of IHS's CEO and the MHSC's President as submitted by them to the MHSC Board at its request. MHSC will service any debt related to the capital commitment and MHSC will become part of IHS obligated group.

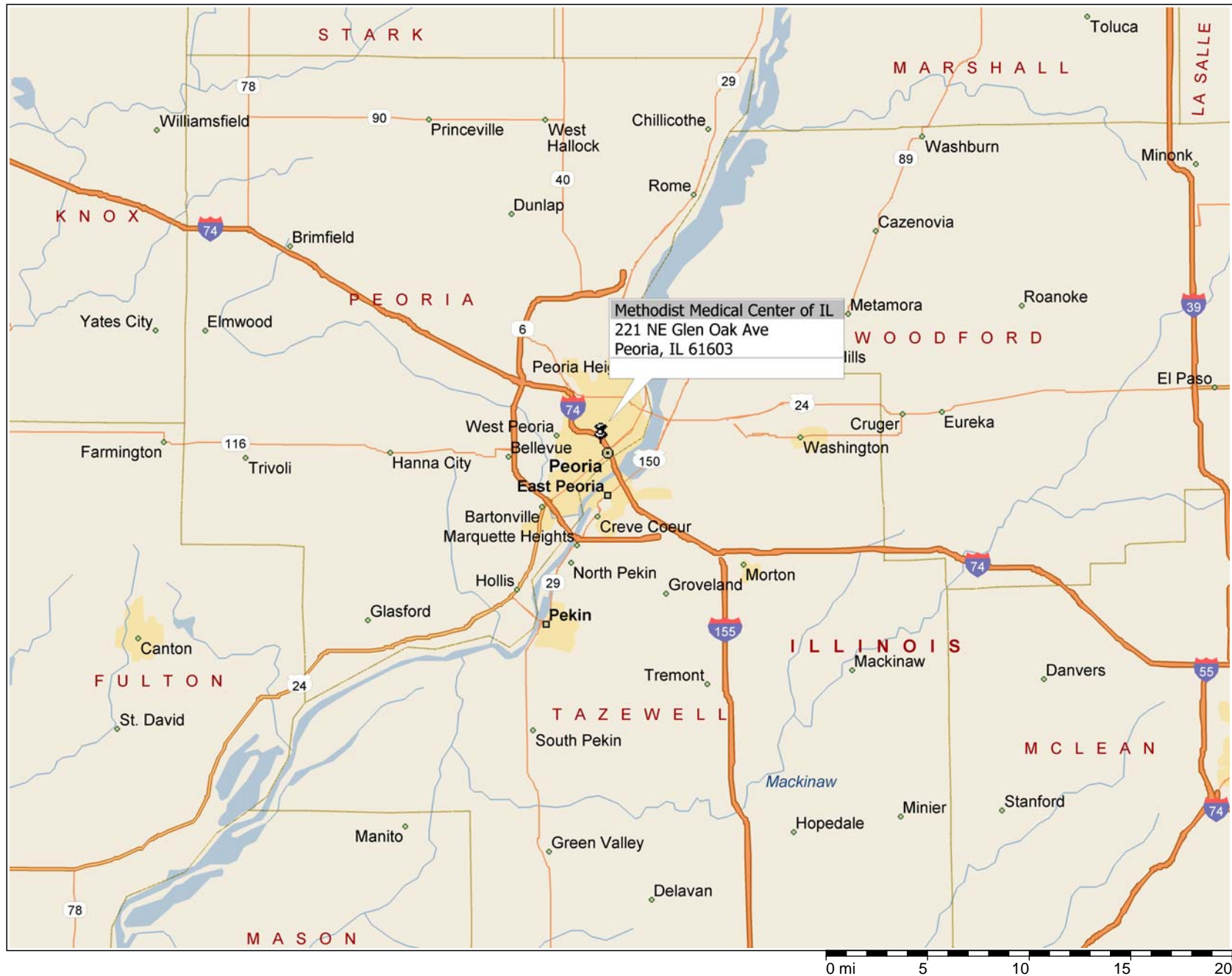
The FMV of the transaction (\$232 million) was estimated by using three valuation methodologies. Kaufman Hall was engaged to perform this valuation. An executive summary is provided at pages 15-36 of the exemption application documenting the 3 valuation methodologies.

The applicants have attested that all beds and services will not substantially change for at least 12 months following the completion of the proposed transaction, and there will be no change resulting in the restriction of patient admissions or reductions in access to care or a more restrictive charity care policy. The applicants attest that all projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of 77 IAC 1130.520. The applicants have attested that ownership and control of The Methodist Medical Center of Illinois will be maintained by IHS for a minimum of three years following the receipt of the Certificate of Exemption. The applicants have certified that no adverse actions have been taken against them by the federal government, licensing or certifying bodies of the State of Illinois. The anticipated date for completion is on or before January 1, 2012.

VI. **Other Information**

Included in the information submitted to the State Board is the change of ownership exemption application for the proposed change of ownership of The Methodist Medical Center of Illinois.

E-010-11 Methodist Medical Center of Illinois - Peoria



Ownership, Management and General Information			Patients by Race		Patients by Ethnicity	
ADMINISTRATOR NAME:	W. Michael Bryant		White	81.9%	Hispanic or Latino:	1.1%
ADMINSTRATOR PHONE	309-672-5599		Black	15.9%	Not Hispanic or Latino:	97.1%
OWNERSHIP:	Methodist Health Services Corporation		American Indian	0.1%	Unknown:	1.8%
OPERATOR:	Methodist Health Services Corporation		Asian	0.3%		
MANAGEMENT:	Not for Profit Corporation		Hawaiian/ Pacific	0.0%	IDPH Number:	1594
CERTIFICATION:	None		Unknown:	1.8%	HPA	C-01
FACILITY DESIGNATION:	General Hospital				HSA	2
ADDRESS	221 Northeast Glen Oak	CITY: Peoria	COUNTY: Peoria County			

Facility Utilization Data by Category of Service										
Clinical Service	Authorized CON Beds 12/31/2009	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2009	Staff Bed Occupancy Rate %
Medical/Surgical	168	142	129	7,570	35,624	2,331	5.0	104.0	61.9	73.2
0-14 Years				0	0					
15-44 Years				1,225	4,047					
45-64 Years				2,360	10,613					
65-74 Years				1,368	6,816					
75 Years +				2,617	14,148					
Pediatric	12	12	12	272	666	496	4.3	3.2	26.5	26.5
Intensive Care	26	26	26	2,257	6,871	0	3.0	18.8	72.4	72.4
Direct Admission				1,579	4,807					
Transfers				678	2,064					
Obstetric/Gynecology	16	29	25	2,340	5,835	113	2.5	16.3	101.8	56.2
Maternity				1,957	4,999					
Clean Gynecology				383	836					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	68	64	64	2,689	20,867	0	7.8	57.2	84.1	89.3
Rehabilitation	39	31	27	582	7,091	0	12.2	19.4	49.8	62.7
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	329			15,032	76,954	2,940	5.3	218.9	66.5	
(Includes ICU Direct Admissions Only)										

Inpatients and Outpatients Served by Payor Source							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
	38.0%	24.7%	0.5%	22.9%	7.0%	6.9%	
Inpatients	5717	3719	72	3441	1046	1037	15,032
	35.6%	26.0%	0.3%	30.2%	5.1%	2.8%	
Outpatients	75812	55528	726	64342	10819	5945	213,172
<u>Financial Year Reported:</u>	1/1/2009 to	12/31/2009	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>				
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense
Inpatient Revenue (\$)	40.8%	22.1%	0.3%	33.0%	3.8%	100.0%	
	66,497,358	36,082,783	456,674	53,736,855	6,211,077	162,984,747	3,535,077
Outpatient Revenue (\$)	23.7%	6.5%	0.3%	63.0%	6.5%	100.0%	
	40,679,461	11,096,625	502,930	108,265,703	11,219,704	171,764,423	2,226,706
							Totals: Charity Care as % of Net Revenue
							5,761,783
							1.7%

Birthing Data		Newborn Nursery Utilization		Organ Transplantation	
Number of Total Births:	1,852	Level 1 Patient Days	4,414	Kidney:	0
Number of Live Births:	1,831	Level 2 Patient Days	325	Heart:	0
Birthing Rooms:	0	Level 2+ Patient Days	0	Lung:	0
Labor Rooms:	3	Total Nursery Patientdays	4,739	Heart/Lung:	0
Delivery Rooms:	2			Pancreas:	0
Labor-Delivery-Recovery Rooms:	0			Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	10	Inpatient Studies	528,480	Total:	0
C-Section Rooms:	2	Outpatient Studies	620,150		
CSections Performed:	600	Studies Performed Under Contract	21,557		

* Note: On 4/22/09, Board action resulted in 10 bed ICU reduction, new ICU count = 26. Facility total OB unit beds = 26 (CON OB = 16, LDRP= 10). 3 Antepartum OB beds are used at times when they peak to more than 26 OB beds.

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	2	0	0	2	359	0	2776	0	2776	7.7	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	4	4	1463	2146	3705	3401	7106	2.5	1.6
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	1	1	227	41	826	87	913	3.6	2.1
OB/Gynecology	0	0	0	0	0	0	0	0	0	0.0	0.0
Oral/Maxillofacial	0	0	0	0	3	4	12	7	19	4.0	1.8
Ophthalmology	0	0	0	0	15	1209	17	1166	1183	1.1	1.0
Orthopedic	0	0	4	4	837	1406	2258	2458	4716	2.7	1.7
Otolaryngology	0	0	4	4	103	804	242	1015	1257	2.3	1.3
Plastic Surgery	0	0	0	0	57	913	152	1213	1365	2.7	1.3
Podiatry	0	0	0	0	23	108	32	231	263	1.4	2.1
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	2	2	387	856	827	1102	1929	2.1	1.3
Totals	2	0	15	17	3474	7487	10847	10680	21527	3.1	1.4
SURGICAL RECOVERY STATIONS				Stage 1 Recovery Stations		10	Stage 2 Recovery Stations		15		

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	3	3	767	3726	418	1985	2403	0.5	0.5
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	2	0	2	0	824	0	412	412	0.0	0.5
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
Multipurpose Non-Dedicated Rooms											
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	4
Cath Labs used for Angiography procedures	2
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Emergency/Trauma Care

Certified Trauma Center by EMS	<input checked="" type="checkbox"/>	
Level of Trauma Service	Level 1	Level 2
	Adult	- - -
Operating Rooms Dedicated for Trauma Care		1
Number of Trauma Visits:		8,913
Patients Admitted from Trauma		466
Emergency Service Type:	Comprehensive	
Number of Emergency Room Stations		40
Persons Treated by Emergency Services:		49,698
Patients Admitted from Emergency:		6,767
Total ED Visits (Emergency+Trauma):		58,611

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	7,465
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	4,767
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	549
EP Catheterizations (15+)	394

Cardiac Surgery Data

Total Cardiac Surgery Cases:	391
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	391
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	155

Outpatient Service Data

Total Outpatient Visits	213,172
Outpatient Visits at the Hospital/ Campus:	213,172
Outpatient Visits Offsite/off campus	0

Diagnostic/Interventional Equipment**Examinations****Radiation Equipment****Therapies/**

	Owned	Contract	Inpatient	Outpatient		Owned	Contract	Treatments
General Radiography/Fluoroscopy	11	0	20,928	29,473	Lithotripsy	0	1	73
Nuclear Medicine	4	0	1,110	3,273	Linear Accelerator	1	0	325
Mammography	4	0	0	16,407	Image Guided Rad Therapy	0	0	0
Ultrasound	4	0	1,445	10,197	Intensity Modulated Rad Therap	1	84	0
Diagnostic Angiography	0	0	0	0	High Dose Brachytherapy	1	0	0
Interventional Angiography	0	0	0	0	Proton Beam Therapy	0	0	0
Positron Emission Tomography (PET)	1	0	83	736	Gamma Knife	0	0	0
Computerized Axial Tomography (CAT)	2	0	6,460	16,826	Cyber knife	0	0	0
Magnetic Resonance Imaging	3	0	1,178	5,388				